

Message Text

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TAGS: ETRD, UNCTAD

SUBJECT: UNCTAD COMMITTEE ON COMMODITIES: COMMENTS ON
TD/B/C.1/186, ROLE OF MULTILATERAL COMMITMENTS.

1. SUBJECT STUDY MAY BE DISCUSSED AT CURRENT MEETING OF
COMMITTEE ON COMMODITIES AND REQUIRE COMMENT BY USDEL.
ALTHOUGH STUDY PROPOSES WITHIN FRAMEWORK OF COMMODITY
ARRANGEMENT EXCHANGE AMONG COUNTRIES OF COMMITMENTS TO
BUY AND SELL AGREED QUANTITIES OF A COMMODITY, THE USDEL
SHOULD FOCUS ITS COMMENTS, IF ANY, ON THE EXTENSIVE
ARGUMENTS GIVEN FOR IMPROVING THE MULTILATERAL INPUTS TO
COMMODITY SUPPLY AND DEMAND FORECASTING. IF PROPOSALS
ARE PRESENTED FOR IMPROVEMENTS IN COOPERATION IN
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FORECASTING FOR SPECIFIC COMMODITIES, USDEL MAY SUPPORT

ELABORATION AND EVALUATION OF THEM BY THE UNCTAD
SECRETARIAT.

2. THE PROPOSALS IN THE PAPER FOR EXCHANGE OF SALE AND
PURCHASE COMMITMENTS AND AGREEMENT UPON A TARGET PRICE
DEPEND TO A GREAT EXTENT UPON THE FORECAST FOR THEIR
EQUITY. IT SEEMS UNLIKELY COUNTRIES WOULD CONTEMPLATE THE
COMMODITY ARRANGEMENT DISCUSSED IN THE PAPER UNTIL THE
QUALITY OF THE FORECAST-APPRAISAL SYSTEM HAD BEEN TESTED.

THE USDEL SHOULD INDICATE THAT THE U.S. GOVERNMENT DOES
NOT CONTEMPLATE BEING ABLE TO ENTER INTO COMMITMENTS THAT
THE U.S. WOULD PURCHASE OR GUARANTEE THE PURCHASE OF
FIXED QUANTITIES OF ANY COMMODITY. WE FIND OURSELVES IN
SUBSTANTIAL AGREEMENT, HOWEVER, WITH PROF. BLYTH'S
OBSERVATIONS UP TO PARA 20 OF HIS STUDY. IN THAT AND
NEXT TWO PARAS HE ARGUES THAT WHEN THE FORECAST IS
KNOWN TO BE UNRELIABLE, MULTILATERAL COMMITMENTS WOULD
REDUCE THE UNCERTAINTY AND RISK INVOLVED IN TRADE IN THE
COMMODITY AND LEAD TO MORE STABLE MARKET BEHAVIOR. WE
DO NOT AGREE WITH THE LOGIC OF THIS ARGUMENT. MUCH
DEPENDS ON THE COSTS INVOLVED AND THE RETURNS POSSIBLE
FOR RISKS TAKEN. HIS DISCUSSION OF THE ADVANTAGES TO
SUPPLIERS AND IMPORTERS DOES NOT ADDRESS THE PROBLEMS OF
EXCESS OR SHORT SUPPLY OR OF THE MANAGEMENT OF THE STOCK
IN RELATION TO ANY ACTUALLY TRADED COMMODITY. HIS
DISCUSSION OF FINANCIAL OBLIGATIONS IS, HOWEVER,
SUFFICIENTLY DETAILED TO MAKE EVEN AN EXPORTING COUNTRY
CAUTIOUS.

3. ALTHOUGH A THOROUGH DISCUSSION OF THE PAPER IS
UNLIKELY AT THIS MEETING, THE USDEL SHOULD IN ANY EVENT
NOT OPPOSE A DISCUSSION. IT SHOULD BE UNDERSTOOD THAT
GIVEN THE UNOFFICIAL NATURE OF THIS ACADEMIC STUDY, US
OBSERVATIONS ON THE PAPER ARE SIMPLY ATTEMPTS TO
MAKE HELPFUL COMMENTS AND ARE NOT OFFICIAL U.S.
POSITIONS. KISSINGER

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